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Instructions for Schedule D (Form 941)

(Rev. January 2005)



Department of the Treasury
Internal Revenue Service

Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations

General Instructions

Understanding Schedule D (Form 941)

These instructions tell you about Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations. Employers can use Schedule D (Form 941) to explain certain discrepancies (caused by acquisitions, statutory mergers, and consolidations) between Forms W-2 (Copy A) and Forms 941 for the totals of social security wages, Medicare wages and tips, social security tips, federal income tax withheld, and advance earned income credit (EIC) payments.

What Is Schedule D (Form 941)?

Each year the Internal Revenue Service (IRS) and the Social Security Administration (SSA) compare the totals on your Forms 941 with the totals from your Forms W-2, Wage and Tax Statement (Copy A), to verify that:

- the wages you reported on Forms 941 match those you reported on Forms W-2 (Copy A) so that your employees' social security earnings records are complete for benefit purposes and
- you have paid the appropriate taxes.

Generally, the totals of all your Forms W-2 (Copy A) should equal the aggregate quarterly totals you reported on Forms 941. Use Schedule D (Form 941) if discrepancies exist between the totals you reported on those forms **only** as a result of an acquisition, statutory merger, or consolidation.



IRS uses Schedule D (Form 941) to determine if you have reported your wages and tax liabilities correctly. In many cases, the information on Schedule D (Form 941) helps the IRS resolve discrepancies without contacting you.

Who Should File Schedule D (Form 941)?

You **do not** need to file a Schedule D (Form 941) for every merger, acquisition, or other reorganization that occurs. File Schedule D (Form 941) **only** for those acquisitions, statutory mergers or consolidations that create discrepancies between Forms W-2 (Copy A) and Forms 941 in the totals of:

- social security wages,
- Medicare wages and tips,
- social security tips,
- federal income tax withheld, and
- advance EIC payments.



Each party to an applicable transaction (see below) files its own Schedule D (Form 941).

File Schedule D (Form 941) for:

- a statutory merger,
- a consolidation, or
- an acquisition for which you are using the alternate procedure under Rev. Proc. 2004-53. You can find Rev. Proc. 2004-53 on page 320 of Internal Revenue Bulletin 2004-34 at www.irs.gov/pub/irs-irbs/irb04-34.pdf.

Do NOT file a Schedule D for:

- an acquisition for which you are using the standard procedure under Rev. Proc. 2004-53 or
- an acquisition that is **not** a statutory merger or consolidation and that does **not** qualify under the predecessor-successor rules. See *Acquisitions that Qualify Under the Predecessor-Successor Rules* on page 2 for a complete discussion of the predecessor-successor rules.

Types of Mergers and Acquisitions

Mergers, acquisitions, and other reorganizations generally fall into one of three categories for purposes of reporting employment taxes, :

1. Statutory mergers and consolidations,
2. Acquisitions that qualify under the predecessor-successor rules (see *Acquisitions that Qualify Under the Predecessor-Successor Rules* on page 2), or
3. Other acquisitions that are not statutory mergers or consolidations and that **do not** qualify under the predecessor-successor rules (see *Acquisitions that Qualify Under the Predecessor-Successor Rules* on page 2).

Statutory Mergers and Consolidations

If you are the **surviving** corporation after a statutory merger or consolidation, you should file Schedule D (Form 941) to provide:

- the date of the statutory merger or consolidation;
- the name, trade name (doing business as or d/b/a), address, and employer identification number (EIN) of the acquired corporation; and
- an explanation of any discrepancies between Forms W-2 (Copy A) and Forms 941 in the totals of social security wages, Medicare wages and tips, social security tips, federal income tax withheld, and advance EIC payments.

If you are the **acquired** corporation after a statutory merger or consolidation and you are filing a final Form 941, you should file Schedule D (Form 941) to provide:

- the date of the statutory merger or consolidation;
- the name, trade name (doing business as or d/b/a), address, and EIN of the surviving corporation; and
- an explanation of any discrepancies between Forms W-2 (Copy A) and Forms 941 in the totals of social security wages, Medicare wages and tips, social security tips, federal income tax withheld, and advance EIC payments.

Rev. Rul. 62-60, 1962-1 C.B. 186, provides that, for employment tax purposes, the “resultant” corporation (now called a “surviving” corporation) resulting from a statutory merger or consolidation is the same employer and taxpayer as the “absorbed” corporation (now called an “acquired” corporation). The predecessor-successor rules, described in Rev. Proc. 2004-53, do not apply to these transactions.

However, Rev. Proc. 2004-53 provides for using Schedule D (Form 941) by a surviving corporation or an acquired corporation to report information after a statutory merger or consolidation **only** where there is a discrepancy. If the surviving corporation completes and files Schedule D (Form 941) to explain discrepancies between the totals on Forms W-2 (Copy A) and the totals on Forms 941, filing Schedule D (Form 941) will also provide notice of a statutory merger or consolidation under Rev. Rul. 62-60.

Acquisitions that Qualify Under Predecessor-Successor Rules

Acquisitions that qualify under the predecessor-successor rules are acquisitions in which a **successor** employer:

- acquires substantially all the property used in a trade or business of another employer (predecessor) or in a separate unit of a trade or business of a predecessor and
- in connection with and directly after the acquisition (but during the same calendar year) employs individuals who immediately before the acquisition were employed in the trade or business of the predecessor.

These acquisitions satisfy the conditions for predecessor-successor status set forth in section 3121(a)(1) of the Internal Revenue Code and section 31.3121(a)(1)-1(b) of the Employment Tax Regulations.

Rev. Proc. 2004-53 contains the rules that apply to employment tax reporting in a predecessor-successor situation. Two procedures can be used in an acquisition that qualifies as a predecessor-successor situation:

- **the standard procedure**—**Do not** file Schedule D (Form 941). No discrepancies should exist between the totals of the Forms W-2 (Copy A) and the totals of the Forms 941 as a result of the acquisition.
- **the alternate procedure**—**Each** party in the transaction should file Schedule D (Form 941). Forms W-2 (Copy A) filed by the successor may include amounts reported on Forms 941 filed by the predecessor.

Other Acquisitions

If you completed other acquisitions that are not statutory mergers or consolidations and that do not qualify under the predecessor-successor rules, no discrepancies should exist as a result of the acquisition. Rev. Rul. 62-60 and Rev. Proc. 2004-53 do not apply to such transactions. **Do not** file Schedule D (Form 941) for such transactions.

When Should You File?

You should file Schedule D (Form 941):

- no later than the due date of your Form 941 for the first quarter of the year after the calendar year of the transaction or
- with your final Form 941 if your final Form 941 is due before the first quarter of the year after the calendar year of the transaction.

For example, if the transaction occurred in the third quarter of 2005 and your business is continuing to operate, you would file Schedule D (Form 941) with your Form 941 for the first quarter of 2006. However, if your business is not continuing to operate during 2005, you would file Schedule D (Form 941) with your final Form 941.

How Should You File?

Schedule D (Form 941) was designed to be filed electronically (after March 31, 2006) with your electronic submission of Form 941. Electronic filing of Schedule D (Form 941) enables IRS to process information on the form more efficiently and accurately.

However, you may file Schedule D (Form 941) on paper if necessary. When filing on paper, **do not** attach Schedule D (Form 941) to your Form 941. Instead, file Schedule D (Form 941) **separately** using the following address.

Stop 815G—Team 301
Internal Revenue Service
201 Rivercenter Blvd.
Covington, KY 41011

Do not use this address to file Form 941. See *Where Should You File?* in the Instructions for Form 941 for the filing address of Form 941.

Specific Instructions

Completing Schedule D (Form 941)

Your Business Information

Carefully fill in your employer identification number (EIN), name, trade name (doing business as or d/b/a), and complete address at the top of the schedule.



Always be sure the EIN on the Schedule D (Form 941) that you file exactly matches the EIN that IRS assigned to your business.

Tax Year of Discrepancies

In the box at the top of the schedule, write the **tax year** (not the quarter) in which the discrepancies occurred. Write the tax year using **four digits**. For example, if the transaction occurred on March 22, 2005, write "2005" in the box.

Make sure you fill in the correct tax year so that you can reconcile the information appropriately. The tax year must be the same as the year that you write in Part 1, line 2.

Be sure to **fill in** your EIN, business name, other party's EIN, and the tax year of the discrepancies on the top of the next page as well.

Type of Submission

Check the appropriate box to show whether this form is the "Original" Schedule D (Form 941) for a specific transaction or corrects (mark "Corrected") a Schedule D (Form 941) that you previously submitted.

Part 1: Answer these background questions

1. Check the appropriate box to explain the type of transaction for which you are submitting Schedule D (Form 941). See *Types of Mergers and Acquisitions* on page 1 for details.

File Schedule D (Form 941) after either:

- a statutory merger or consolidation (Check whether you are an **acquired corporation** or a **surviving corporation**.) or
- an acquisition for which you are using the alternate procedure under Rev. Proc. 2004-53. (Check whether you are a **predecessor** or a **successor**.)

2. Fill in the effective date of the transaction in the box. Make sure that you write the month, day, and year in this format: **MM/DD/YYYY**. The year must be the same as the year that you write in the box at the top of the schedule.

3. Fill in the contact information about the OTHER PARTY in the transaction by including the other party's EIN, name, trade name (doing business as or d/b/a), complete address, and phone number. **Verify** the other party's EIN to make sure it is correct.

Part 2: Tell us about the discrepancies with your returns

4-8. Gather your information about the social security wages, Medicare wages and tips, social security tips, federal income tax withheld, and advance earned income credit (EIC) payments that you reported. When entering money amounts from your Forms 941 and W-2 (Copy A) on lines 4 -14, you may round to the nearest dollar. Do not show dollar signs but do use commas as appropriate. Show an amount (even if it is zero) for each column of a line.

In Column A, fill in the amount you reported to the IRS for the tax year for each of the items. Add the totals from

all Forms 941, as corrected by any Forms 941c, and write your answers on the appropriate lines.

In Column B, fill in the amount you reported to SSA for each of the items. Add the totals from all Forms W-2 (Copy A), as corrected by any Forms W-2c (Copy A), and write your answers on the appropriate lines.

Calculate the differences between the entries in the columns:

$$\begin{array}{r} \text{Column A} \\ - \text{Column B} \\ \hline \text{Column C} \end{array}$$

Enter any negative result in parentheses, if possible. For example, if line 6, Column A is "-0-" and line 6, Column B is "6,000," write "(6,000)" in line 6. Column C.



If no Forms W-2 (Copy A) were filed by you, write "-0-" in column B, "Amount you reported to SSA for the tax year."

If you are filing for one transaction only, STOP here. If you are filing for more than one transaction, go to Part 3.

Part 3: Fill this part out ONLY if you are filing more than one Schedule D (Form 941) for any calendar year

If you are filing only one Schedule D (Form 941) for the calendar year, leave this part blank.

When more than one statutory merger, consolidation, or acquisition occurs during a calendar year, file a **separate** Schedule D (Form 941) for each transaction. Complete Part 3 for each transaction. For instance, if you have 11 different transactions in a calendar year, you need to file 11 different Schedules D (Form 941). Part 2 would be the same for each schedule. Part 3 would show one of the 11 transactions. For example, the amount entered on line 4 in Column C should equal the total of all 11 entries on line 10 in Column C.

9. Show the number of schedules that you are filing for the year and identify which schedule this is. For example, if you had three different transactions in a calendar year and you are filing a Schedule D (Form 941) to describe the second transaction, fill in "2" and "3" so that the sentence reads: "This is schedule 2 of 3."

10-14. For purposes of Part 3, Columns A and B, the term "employees affected by the transaction reported on this Schedule D" means those employees who received wages that were reported on Forms 941 filed by one employer but whose wages were reported on Form W-2 (Copy A) filed by another employer as a result of this particular transaction. Report the totals for social security wages, Medicare wages and tips, social security tips, federal income tax withheld, and advance earned income credit (EIC) payments.

In Column A, fill in the amount you reported to the IRS for the tax year for employees affected by the transaction reported on this Schedule D (Form 941). Add the totals from all your Forms 941, as corrected by any Forms 941c, and write your answers on the appropriate lines.

In Column B, fill in the amount you reported to SSA for the tax year for employees affected by the transaction reported on this Schedule D (Form 941) for each of those items. For Column B entries, add the totals from all Forms W-2 (Copy A), as corrected by any Forms W-2c (Copy A), and write your answers on the appropriate lines.

Calculate the differences between the entries in the columns:

Column A
– Column B

Column C

Enter any negative result in parentheses, if possible. For example, if line 12, Column A is “-0-” and line 12, Column B is “6,000”, write “(6,000)” in line 12. Column C.



If no Forms W-2 (Copy A) were filed by you, write “-0-” in Column B, “Amount you reported to SSA for the tax year.”

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You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 11 hr., 43 min.; **Learning about the law or the form**, 18 min.; **Preparing, copying, assembling, and sending the form to the IRS**, 30 min. If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave., NW, Washington, DC 20224. **Do not** send Schedule D (Form 941) to this address. Instead, see *Where Should You File?* in the Form 941 or Form 941-SS instructions.
